HOUSING MARKET OUTLOOK
St. Catharines-Niagara CMA

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2016

Highlights[1]

- Total new housing starts will moderate in 2016 and 2017. Total housing starts will range between 1,600 and 1,700 in 2016 and between 1,500 and 1,700 in 2017.
- The resale market will remain tight in 2016 and 2017 and continue to favour sellers. Average price will continue to rise and range between $289,400 to $291,400 in 2016 and between $291,400 to $309,800 in 2017.
- Increased demand for goods and services from the region will lift full-time employment and wages in 2016 and 2017.

Figure 1

Source: CMHC (F) = CMHC Forecast

[1] The forecasts and historical data included in this document reflect information available as of April 29, 2016.

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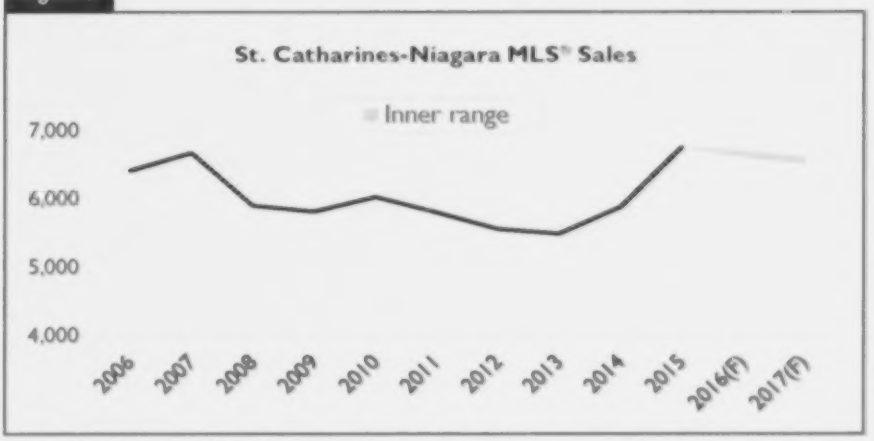
New Home Market: New Single-detached Homes will Remain Popular in 2016

After a robust 2015, when total housing starts increased by 17 per cent, total housing starts will decrease slightly in 2016 and will come in between 1,600 and 1,700. Demand for single-detached homes will remain unchanged from 2015. New housing starts of all other home types will moderate slightly. A tight resale market and higher wages will continue to attract buyers to the new home market. On the demand-side the backlog of new homes under construction remains elevated. Previous new home purchases has lifted the number of homes under construction. This will keep developers busy, especially given that a sizeable portion of new homes under construction are apartments that take longer to complete than other housing types. The average price of a new single-detached home will increase from 2015 but at a moderate pace. Price growth in 2015 was driven by increased demand in the region's higher priced sub-markets of Pelham, Niagara-on-the-Lake, and Lincoln. New single-detached homes in these sub-markets made up over one-third of the total.

Figure 2



Source: CREA; (F) – CMHC Forecast
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These sub-markets will continue to have higher than average single-detached home prices but increased purchases in other parts of the region will put downward pressure on the region's average price.

In 2017, total housing starts will decrease slightly and come in between 1,500 and 1,700. Increased mortgage rates and more moderate employment growth will decrease demand for new single-detached homes. Housing starts of all other home types will remain the same from 2016. The average price of a new single-detached home will increase slightly in 2017. Increased mortgage rates in 2017 will put some downward pressure on price growth.

Resale Market: Existing Home Price will Continue to Climb in 2016

In 2015, the existing homes market was equally strong as the new homes market. Existing homes sales grew by 15 per cent. The existing homes market will remain robust in 2016 with the number of sales coming in between 6,600 and 6,700 units. Mortgage rates will remain at their record low levels and are not expected to begin to increase until later in 2017. This will continue to attract price-sensitive buyers such as first-time buyers who have yet not entered homeownership. Employment growth will also support sales in 2016. Increased full-time work and higher wages will allow homebuyers to enter homeownership more comfortably. Finally, the price differential with nearby markets such as Toronto and Hamilton will support local housing demand. Those markets will continue to appreciate at the same rate, and the ongoing gap will ensure a significant

Note to readers

In an effort to align itself with the various needs of those seeking information about the housing market, CMHC's Market Analysis Centre has undertaken a complete review of its products and services. As a part of this review, the CMHC's *Housing Market Outlook* publication will be undergoing a series of modifications. The general objective is to provide a range of possible outcomes that, in a context of economic and financial uncertainty, will better help users in their decision-making process.

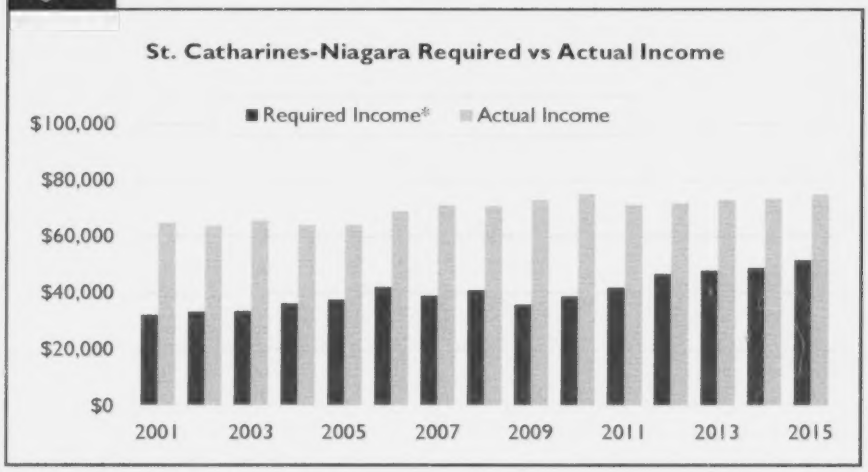
As a first step in this ongoing process, the present edition incorporates forecast ranges for housing variables as well as an expanded discussion on the risks to the forecast. A more detailed description of the forecast range methodology is provided at the end of the publication.

number of buyers continue to purchase in St. Catharines-Niagara. Existing home sales will moderate in 2017 and will come in between 6,500 to 6,600 units. Higher mortgage rates and moderate wage growth will put some downward pressure on existing home purchases.

St. Catharines-Niagara will remain one of the more affordable housing markets in the province. Affordability will remain unchanged in 2016 because higher wages will protect homebuyers' spending power and will erode only slightly in 2017 due to increased home price growth, higher mortgage rates and moderate wage growth.

In 2015, increased demand drew down the stock of listings. The average price grew by eight per cent. The stock of listings will continue to decrease in 2016 as buyers from outside the region continue to purchase homes. The market will remain tight and continue to favour sellers in 2016. The average price will continue to increase and come in between $289,400 to $291,400. In 2017, existing home sales growth will decrease slightly faster than new listings growth, providing a bit more choice to homebuyers. The market will continue to favour sellers and the average price will range between $291,400 to $309,800.

Figure 3



Source: CMHC, Statistics Canada, CREA

*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization

Rental Market: Rental Market Will Continue to Tighten in 2016

Increased demand tightened the rental market significantly in 2015 lifting average two-bedroom apartment rent by two per cent. In 2016 and 2017, the purpose-built rental apartment vacancy rate[2] will continue to decrease to 2.7 and 2.6 per cent respectively. By the end of 2017 the vacancy rate will reach a level not seen since 2004 when the vacancy rate was well under three per cent. A tighter rental market in 2016 will lift the average monthly two-bedroom apartment rent by the maximum allowed under the provincial rent increase guideline. In 2017, the average rent will continue to climb by close to two per cent. Employment growth since 2015 will continue to attract people to rental. Students relocating to the region for their studies will lease units. Furthermore, individuals moving to the area to take advantage of work opportunities and youth continuing to leave the family home will compete with students for rental units.

Between January 2014 and March 2016, there were 261 rental completions (186 units private and 75 social housing units). Currently, there are a total of 80 private rental units under construction. Significant investments have been made to increase the rental stock and to accommodate new residents to the region. Despite the additional supply, the rental market will continue to tighten and these new units will be absorbed easily by renter demand.

Economic Trends: Tight Jobs Market to Lift Wages in 2016

Economic growth will continue into 2016. Job growth will outpace labour force growth pushing the unemployment rate below seven per cent and lifting wages further up. As a result, average weekly earnings will grow by three per cent in 2016. A strong link with the US economy will benefit

[2] In structures with three or more units purpose built for the rental market.

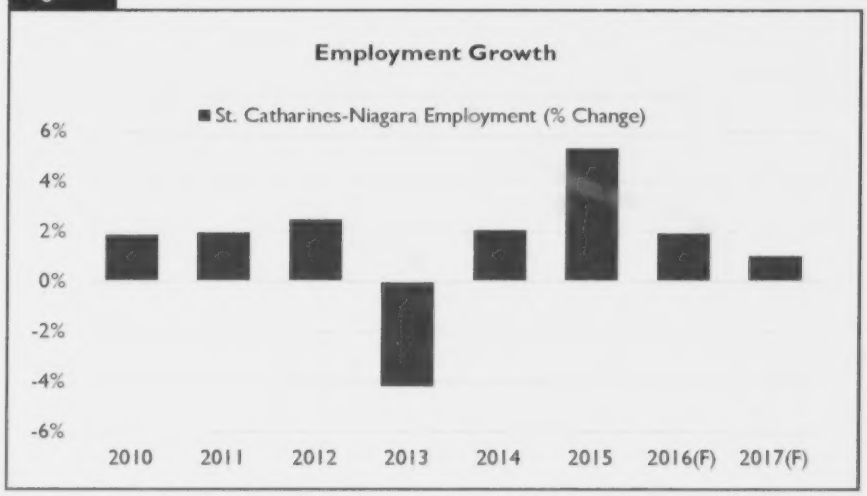
the region this year. Continued US economic growth will lift business confidence leading to continued capital investments and hiring. Overall full-time employment will continue to expand as employers shift workers from part-time to full-time tenure. Full-time employment growth will be broad-based and include both youth and seasoned members of the labour force.

Both the goods and services sectors will benefit from the continued growth in 2016. Manufacturing will benefit from the weak Canadian dollar and stronger US demand. Construction will benefit from new housing demand and renovation work to existing rental and homeownership housing. In the services sector health and social services will continue to benefit from an older and expanding demographic. Tourism-intensive sectors such as accommodation and food services will benefit, especially in the summer, as US travellers visit the region to take advantage of a weaker Canadian dollar. Finally, educational services and trade will benefit in 2016. Enrolments at post-secondary institutions will remain robust and movement of goods between the US and Canada will intensify.

Employment in 2017 will grow in line with the labour force, moderating wage growth. The unemployment rate will remain stable below seven per cent.

Population growth will remain in line with that registered in 2015 in both 2016 and 2017. An expanding economy and a relatively affordable housing market compared to nearby markets such as Hamilton and Toronto will ensure migration from these markets into St. Catharines-Niagara will feed significantly to population growth. Furthermore, the economic difficulties in Alberta will attract residents back into St. Catharines-Niagara. Immigration will not factor significantly into population growth for the next two years.

Figure 4



Source: Statistics Canada, Labour Force Survey; (F) = CMHC Forecast

Mortgage rates are expected to rise moderately from current levels in 2017

Mortgage rates are expected to stay near current levels until the end of 2016, supporting housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to gradually start rising from current levels in the first half of 2017. This expected profile for mortgage rates is in line with the Bank of Canada's view of the economy returning to its full capacity by the end of 2017, according to its April 2016 Monetary Policy Report.

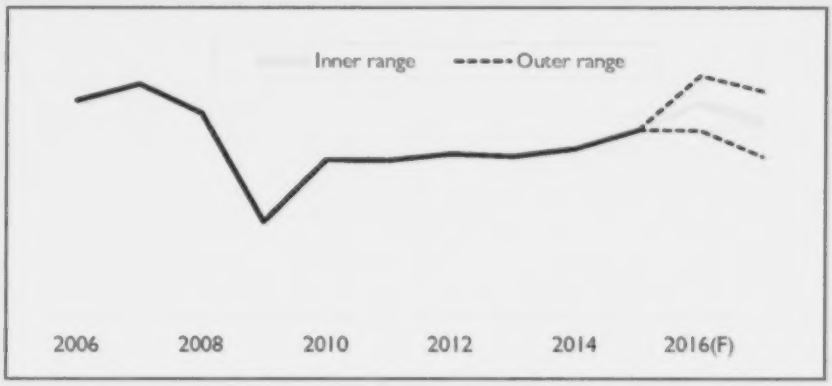
According to CMHC's base case scenario, the five-year mortgage rate is expected to be within the 4.4 to 5.0 per cent range in 2016 and within the 4.7 to 5.3 per cent range in 2017.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates will begin to rise gradually in 2017, contributing to moderation in housing demand.
Employment	Full-time job growth in large key sectors will allow more households to enter homeownership or rental.
Income	Wage growth due to a tighter job market will preserve households' spending power and allow them to save money to purchase big items such as a home in 2016.
Population	Relative affordability of the housing market in St. Catharines-Niagara compared to nearby markets will continue to promote population growth through migration. A growing local economy will also attract workers from outside the region. Particularly, people returning from the prairie provinces will maintain population growth.
Existing Home Market	A tight resale market favouring sellers will continue to lift the average price of existing homes in St. Catharines-Niagara.

Risks to the Outlook

- A heightened level of uncertainty poses some risks to the St. Catharines-Niagara economic and housing outlook. This can result in a wider range of possible outcomes relative to our outlook
- Risks to St. Catharines-Niagara housing market remain balanced

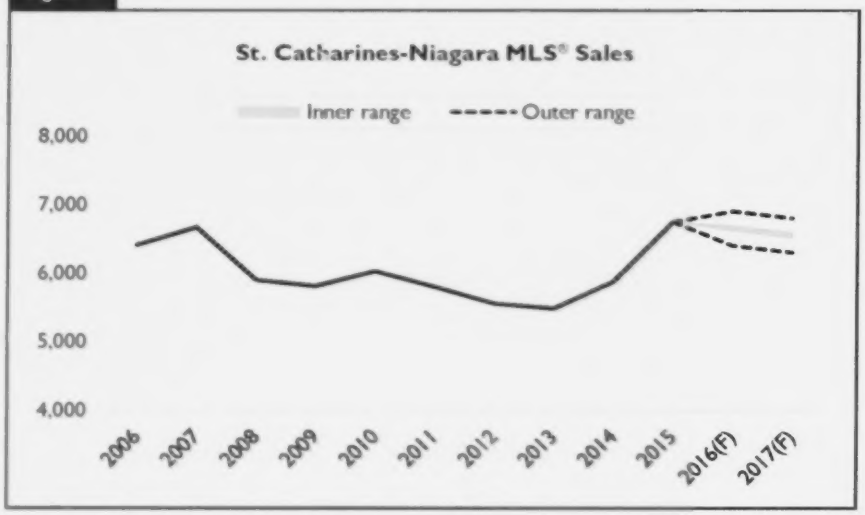
Existing Home Market

- No change to the already low interest rates and a larger than expected pick-up in the US economy, strengthening further the local job market, would increase sales of existing homes to the upper end of the range. Existing home price growth that erodes affordability significantly would lower existing home sales to the lower end of the range
- An increased number of home buyers from outside the region and higher than expected wages could result in average prices trending closer to the higher end of the range. Increased demand for rental or other affordable home options due to lower than expected wage and job growth would pull average prices closer to the lower end of the range.

New Home Market

- A tighter existing homes market and significant wage growth could push the starts trend closer to the higher end of the range. Alternatively, rising inventories and fewer than expected new residents moving to the region could result in builders putting the brakes on additional projects and putting total starts closer to the bottom of the range.

Figure 5



Source: CREA; (F) = CMHC Forecast
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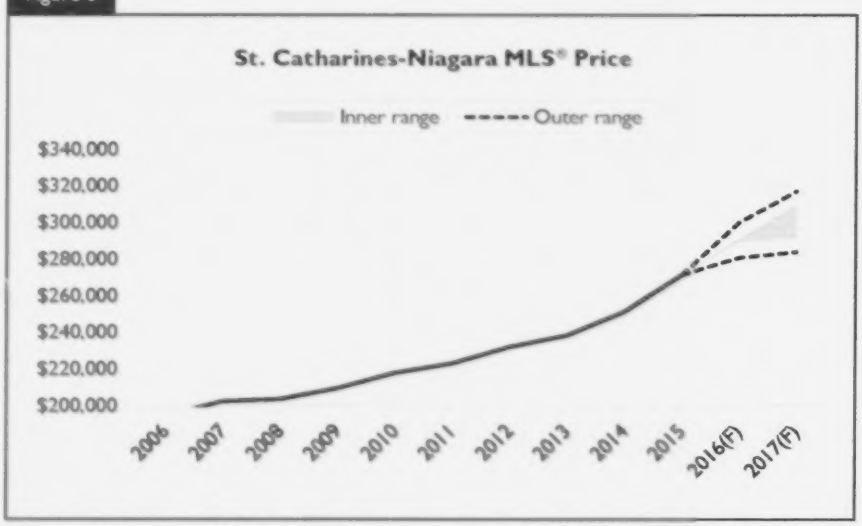
Figure 6



Source: CREA; (F) = CMHC Forecast
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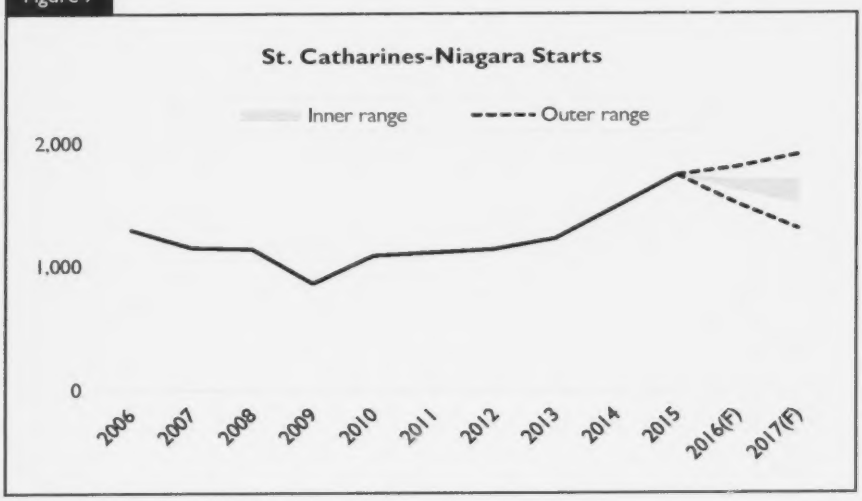
Figure 7



Source: CMHC; (F) = CMHC Forecast

Forecast Summary St. Catharines-Niagara CMA Spring 2016							
	2013	2014	2015	2016(F)		2017(F)	
				(L)	(H)	(L)	(H)
New Home Market							
Starts:							
Single-Detached	717	896	1,002	1,000	1,000	900	1,000
Multiples	506	583	735	600	700	600	700
Starts - Total	1,223	1,479	1,737	1,600	1,700	1,500	1,700
Resale Market							
MLS® Sales	5,483	5,875	6,746	6,600	6,700	6,500	6,600
MLS® Average Price($)	238,449	251,297	271,425	289,400	291,400	291,400	309,800
Economic Overview							
Mortgage Rate(5 year)(%)	5.24	4.88	4.67	4.40	5.00	4.70	5.30

	2013	2014	2015	2016(F)	2017(F)
Rental Market					
October Vacancy Rate (%)	4.1	3.6	2.8	2.7	2.6
Two-bedroom Average Rent (October)($)	872	892	909	930	940
Economic Overview					
Population	405,168	406,773	408,222	409,700	411,200
Annual Employment Level	193,500	195,400	204,100	208,000	210,200

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 29th April 2016. (L)=Low end of Range. (H)=High end of range.

The low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is due to rounding and volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. MLS® data includes the St. Catharines - Niagara and Welland boards. CMHC Forecast (2016-2017).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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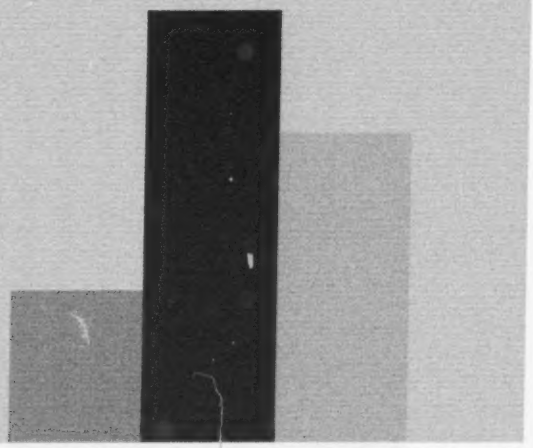

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